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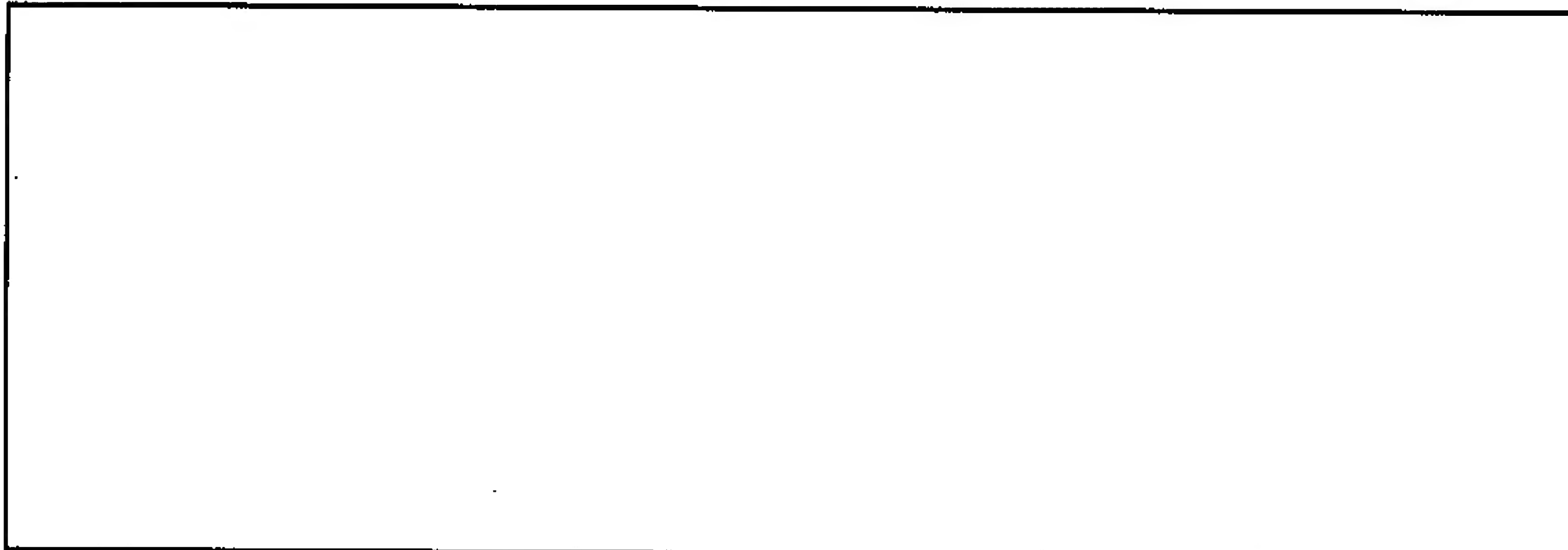
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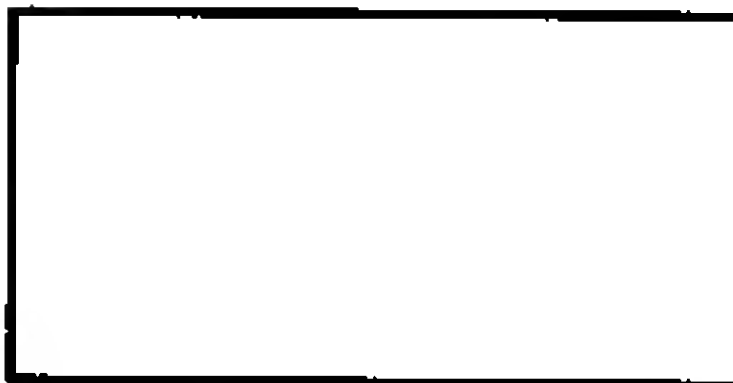
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GENERAL

1. French-Soviet trade agreement seen dependent on sale of ships to USSR:

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The Soviet Union, in offering to conclude a three-year trade agreement with France, has requested three tankers, five 5,000-ton cargo ships, and five cargo ships of between 8,000 and 10,000 tons. French Foreign Ministry official Charpentier believes there will be no agreement unless France meets this request.

The Soviet delegation has also requested lead, important industrial goods, and about \$9,000,000 worth of textiles; it is offering corn, 35,000 tons of chrome and 6,000 tons of asbestos, as well as some manganese, pitch, anthracite and gasoline.

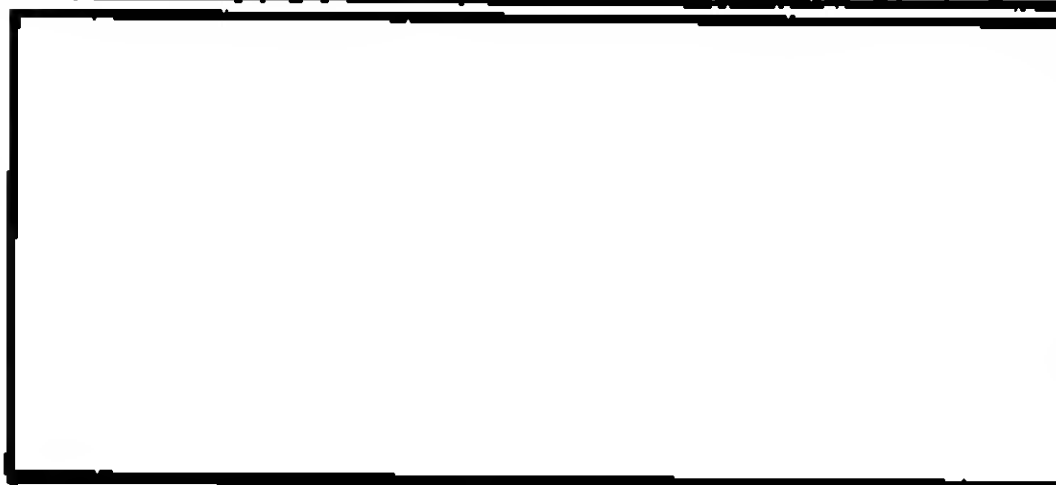
Comment: The Russian offer to purchase this unprecedented amount of textiles will appeal strongly to the French, whose textile industry is seriously depressed. If these proposals are accepted, the annual value of French-Soviet trade from 1953 to 1955 will be at least four times the 1952 trade turnover of \$24,000,000.

This new willingness to purchase larger quantities of textiles and other consumer goods along with strategic industrial items will provide the USSR with a strong bargaining lever in trade negotiations with other Western European countries.

FAR EAST

2. Yoshida reportedly plans increase in Japanese defense forces:

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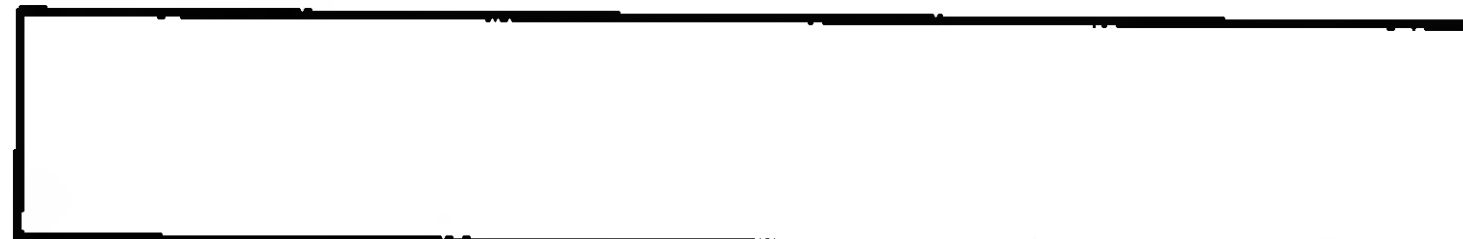
Premier Yoshida has approved a five-year plan for modest increases in Japan's ground and naval forces and the creation of a small air force.

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Yoshida considers that the planned 200,000-man force is within Japan's political and economic capabilities.

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Meanwhile, Foreign Minister Okazaki has approached the American ambassador to arrange for opening MSA aid negotiations. He indicated he would seek Yoshida's approval to discuss the whole aid problem with Progressive leader Shigemitsu in an effort to secure his party's support.

Comment: The Japanese government, under pressure from the public and from business circles to arrange for American assistance in view of the impending decline in income derived from the Korean war, has displayed an increasing but cautious interest in obtaining MSA aid. Japanese officials have indicated that the government prefers to emphasize the economic and minimize the military aspects of such aid.

3. Majority of Korean people seen favorable to armistice:

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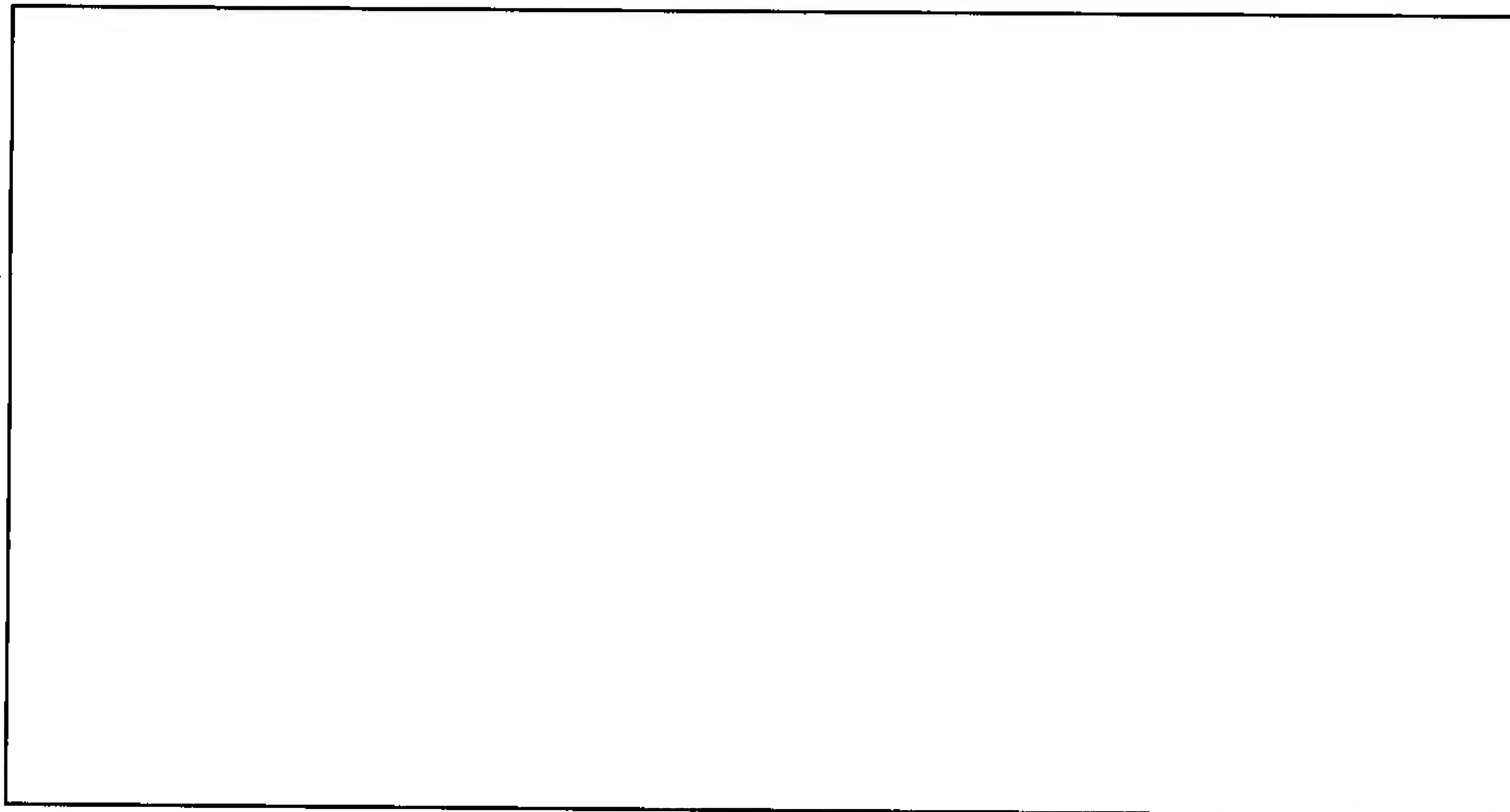
Ambassador Briggs reports indications that the people and some of the leaders in South Korea do not support President Rhee's intransigence on the armistice.

He believes that a large majority would accept the armistice under present conditions, although a small minority is ready to join Rhee in an effort to forestall a settlement, or to follow him in reckless military adventures.

Briggs states that political leaders and others dependent on the administration's favors continue to express support for the government's position, but that many informed Koreans regard the proposal in President Eisenhower's letter as a generous offer. He warns, however, that public opinion is far from being the controlling factor in South Korean politics.

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NEAR EAST - AFRICA

5. Turkey raises Middle East defense problem in NATO:

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 Turkish representative Zorlu emphasized to members of the NATO Council, now in session in Paris, his government's great anxiety over possible British withdrawal from the Suez area. He pointed out the strategic importance of Middle East defense to the free world and the necessity of establishing a regional defense organization to fill the vacuum, if the British should pull out. Drastic measures accordingly should be taken by the NATO powers to organize a Middle East defense system without Arab or Israeli participation, leaving the door open, however, for their ultimate membership.

Comment: Turkey's awareness of Middle East weakness has long caused it to press for more adequate defense in that area.

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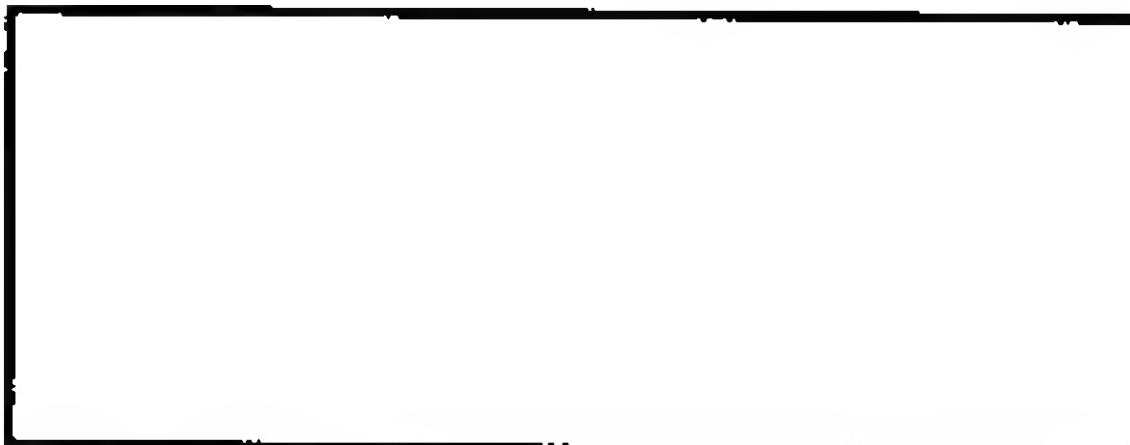
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WESTERN EUROPE

6. Austrians discount Soviet overtures but anticipate long-run improvements:

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Chancellor Raab and Foreign Minister Gruber agree that with two exceptions the easing of Soviet occupation controls in Austria is more apparent than real. They do attach importance

to the abolition of transit permits for most goods crossing the demarcation line to the Western zones, and to the unexpected recognition of Austria's full sovereignty implied by the elevation of the Soviet high commissioner to ambassadorial status.

Raab and Gruber believe the Soviet Union was motivated by a desire to counteract locally the effect of its refusal to resume negotiations on the Austrian treaty.

Comment: The Soviet Union's moves of the past week have in no way jeopardized its political, economic, or strategic position in Austria. They are, however, important concessions to Austrian and Western opinion, toward which they appear primarily to have been directed.

7. Further Soviet gestures on German unity anticipated in Bonn:

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Bonn government leaders show no anxiety over West German reaction to the latest developments in East Germany and have adopted an attitude of "watchful waiting."

They anticipate a series of Soviet unity gestures designed to undercut the government parties in the general elections in September.

They believe that Soviet high commissioner Semenov, in order to foster public hope for unity and weaken support for EDC, will soon propose a meeting of the high commissioners. They also expect that shortly before the September elections, the Russians will send a note making ostensible concessions to the Allied position on German unity.

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Chancellor Adenauer is preparing a campaign to keep alive German distrust of Soviet intentions.

Comment: West German officials probably are less disturbed by the East German developments than the American press suggests. Although further Soviet gestures will stimulate public desire for four-power talks, they will probably not dispel West German insistence on free elections.

LATIN AMERICA

8. Plan to dismiss commanding general may split Colombian army:

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[redacted] the Colombian president has ordered that the commanding general of the armed forces, Rojas Pinilla, be retired before 15 June. His successor is to be General Mariano Ospina Rodriguez.

Rojas Pinilla's supporters, who are in the majority in the army, have reportedly designated officers to take charge of the Bogota garrisons if he is replaced.

Comment: Rojas Pinilla has for some time been carrying on a personal feud with the war minister over military policy and has been resisting efforts of the clique in power to remove him. Meanwhile, a group of fellow officers has been urging him to take over the government. The traditional army attitude in Colombia, however, has been one of noninterference in politics.

Should there be a split in the army, the scattered domestic disorders which have plagued Colombia for the past four years might expand into a full-scale civil war.

Ospina Rodriguez has a pro-American reputation and is one of Colombia's best officers, but his personal following in the army is small.

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